

School Finance

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Introduction

- School Finance Function
- School Finance Customers
- ADM
- The Equalization Formula
- District Vs. Charter Funding
- K-12 Appropriations Compared to Statewide Appropriations
- Miscellaneous

Summary of School Finance Functions

- Data: Collect data that is used to calculate the Average Daily Membership (ADM)
- Appropriations: Using the ADM, apportion to schools state aid and other funds as appropriated by legislatures.
- Expenditures: Ensure that Districts are not expending beyond their Budget authority limits as approved by the district governing board and state statutes. This requires a review of the district budgets and the annual financial reports of each district. Additionally SF ensures that the budgets and the annual financial reports are prepared in accordance with state statutes and the Uniform System for Financial Records for Arizona School Districts and Charter Schools.
- Customer service : provide customer service and support to our customers by responding to customers questions, produce reports, statutes interpretations and guidance , analyze data, clarify and disseminate information.

School Finance Customers

- Schools
- Parents and Students
- Teachers
- Legislatures
- Governor's Office
- Auditor General
- Attorney General
- Audit and Consulting Firms
- Other Units Within the Department of Education
- Others
- The Public

Type of schools as of July 15, 2010

<u>Type</u>	<u>District/ Holder</u>	<u>Sites</u>
Charter (7 Arizona Online Instruction)	378	519
Joint Technical Educational District	13	205
Accommodation	9	24
District (7 Arizona Online Instruction)	216	1524
Total	616	2272

ADM Analysis

Category	FY2006	FY2007	FY2008	FY2009	FY2010
Districts	913,785	934,403	949,810	947,396	940,871
District Growth	3.27%	2.26%	1.65%	-0.25%	-0.69%
Charters	79,741	86,753	92,472	101,690	110,231
Charters Growth	4.47%	8.79%	6.59%	9.97%	8.40%
Total	993,526	1,021,155	1,042,282	1,049,085	1,051,102
Total Growth	3.37%	2.78%	2.07%	0.65%	0.19%

Average Daily Membership (ADM)

- ARS 15-901 defines **ADM** as the total **Enrollment** of fractional students and **full time** students, minus withdrawals, of **each school day** through the first one **hundred days** or two hundred days in session as applicable for the current year.
- ARS 15-901 defines **ADA** as the **Actual Average Daily Attendance** through the first **one hundred days** or two hundred days in session, as applicable

ADM Calculations

- FTE test: Determine the FTE of each student
- Membership test : Determine the membership days based on the 1st 100 days in the year (or 200 days as applicable)
- Absence Adjustment Test: Determine whether the district or charter holder absences exceed the absences threshold by dividing the ADM by ADA minus 1
- Absence threshold for high school districts or high school charter holder is 8.5%. For elementary, common and unified districts or charter holders is 6%
- Calendars to ensure that SAIS recognize membership days for each day submitted

ADM Formula

- $ADM = (FTE * \text{Membership days}) / 100$
- $ADA = (\text{Membership Days} - \text{Absence Days}) / 100$
- $\text{Absence Threshold} = (ADM/ADA) - 1$
- $\text{Adjusted ADM} = ADA * 1.085$ for High School Districts
- $\text{Adjusted ADM} = ADA * 1.06$ for Elementary Common School Districts and a Unified School District

Full Time Student K-8

Hours enrolled as applied to a full year schedule

Grade Range	0	0.25	0.5	0.75	1
Kindergarten	<356	N/A	≥356 and <712	N/A	≥712
1 - 3	<178	≥178 and <356	≥356 and <534	≥534 and <712	≥712
4 - 6	<223	≥223 and <445	≥445 and <668	≥668 and <890	≥890
7 - 8	<250	≥250 and <500	≥500 and <750	≥750 and <1000	≥1000

Full Time Student 9-12

FTE	Annual Hours	Subjects	Weekly hours
1 FTE	Minimum of 720 hours	4 Subjects @ 123 hours each delivered over any number of days	At least 20 hours per week
0.75 FTE	Minimum of 540 hours	3 Subjects @ 123 hours each delivered over any number of days	At least 15 hours per week
0.50 FTE	Minimum of 360 hours	2 Subjects @ 123 hours each delivered over any number of days	At least 10 hours per week
0.25 FTE	Minimum of 180 hours	1 Subjects @ 123 hours each delivered over any number of days	At least 5 hours per week

ADM Example

- High School Student Enrolled in 3 subjects, for 612 hours and is scheduled to attend school 4 days a week for 17 hours a week for 144 days as follow:

Monday	Tuesday	Wednesday	Thursday
8-9 AM	8-9 AM	8-9 AM	8-9 AM
9-10 AM	9-10 AM	9-10 AM	9-10 AM
10-10:30 AM	10-11 AM	10-10:30 AM	10-11 AM
12-1 PM		12-1 PM	12-1 PM
1-2 PM		1-2 PM	1-2 PM

ADM Example

- $FTE = 612/720 = 0.85$ Rounded down to 0.75 FTE
- Membership Days = 100, Assuming the student started the fiscal year on day one and was enrolled for the entire 100 membership days
- $ADM = (0.75 * 100) / 100 = 0.75$ ADM

Concurrency

- Concurrency is either overlapping enrollment or subsequent enrollment
- ADE is ratcheting down ADM for each student to 1 ADM except for JTED relationships.
- Student enrollment in a JTED satellite campus and a member district is limited to 1.25 ADM.
- Student enrollment in a JTED main campus or centralized and a member district is limited to 1.75 ADM.

Concurrency Example - 1

- Assumptions: high school student enrolled in three entities same fiscal year.
- District: 1-100, FTE=.75
- JTED Satellite: 1-100, FTE=.50
- AOI: 720 hours = 720/900 = 80 Membership Days

Period 1		Period 2		Annual Period
.75 X 40 = 30 Days		.75 x 60 = 45 Days		75
.5 x 40 = 20 Days		.5 x 60 = 30 Days		50
				80

- District: $75/205 \times 1.25 = .4573$
- Satellite: $50/205 \times 1.25 = .3049$
- AOI: $80/205 \times 1.25 = .4878$

District Absence Adjustment

- High School District ADM is 1500
- High School District ADA is 1000
- To determine Absence Adjustment : ADM/ADA , $1500/1000 = 150\%$ which is greater than 1.085%
- Adjusted ADM = $1000 * 1.085 = 1085$ ADM
- This district will lose 415 ADM due to excessive absences.

Overwhelmed???



Funding



Schools Funding

- Most of school funding is state aid formula.
- State aid funding is driven by the Average Daily Membership
- The Equalization Formula is the mechanism to calculate the funding
- The calculations are made on a district or charter holder level.
- The other major funds for schools: Classroom Site Fund, Instructional Improvement Fund, Vocational Educational State Fund.
- Federal programs.

School Funding Process

- Districts/ Charters establish a budget for the following fiscal year.
- By July 15 of the fiscal year the district/charter must propose a budget to their governing board. Districts must hold a public meeting to discuss the budget.
- Once the governing board of a district/charter approves the budget, this budget becomes an adopted budget. The district/charter submits the adopted budget to the Department of Education.
- This adopted budget determines districts' and charters' expenditure authority for the fiscal year that starts July 1st and ends June 30th.

The Equalization Concept

- Before 1980, districts were funded mainly by local property taxes and other sources of funds that are raised from local business and community members.
- 1980-1981 The Arizona Legislatures established the Equalization Formula.
- The purpose of the formula is to equalize per pupil spending among districts.

Components of the Equalization Formula

Districts

- Base Support Level
- Transportation Support Level
- Soft Capital
- Unrestricted Capital Outlay

Charters

- Base Support Level
- Additional Assistance (1607.50 for K-8, 1873.52 for 9-12)

The sources of the formula funding

- State aid from the general funds
- Local tax levies (Districts only)

Base Support Level

- ADM
- Students Weights (per statutes)
- Base Level amount (\$3,267.72 For FY2011)
- Add on Weight for students who are Special Education or English Language Learner
- Base Support Level = $(ADM * Weight + ADM \text{ for ELL or Special Education} * \text{Add on weight}) * 3267.72$

Transportation Support Level Components

- Approved daily route mileage
- 180 days
- Eligible students transported during the fiscal year
- Transportation weight
- Trip factor
- Bus tickets
- Extended school for special education students

Transportation support Level

The transportation weight is determined based on the following formula :

1. Approved daily route mileage
2. Eligible students transported during the fiscal year
3. Divide 1 by 2 to get the approved daily route Mileage per student in Column 1
4. Use the corresponding state support level amount in column 2 to determine the transportation support level
5. Multiply the transportation support level from Column 2 by 180 instructional days and by the approved daily route mileage
6. Add transportation for trips and vocational education based on the trip factor and district type column (multiply the trip factor by the amount determined in 5)
7. Add 5, 6 and any additional expenditures paid for bus tickets and special education transportation.

Column 1	Column 2	Trip Factor		
Approved Daily Route Mileage per Eligible Student Transported	State Support Level per Route Mile for Fiscal Year 2010-2011	Dist. 02 or 03	Dist. 4	Dist. 5
0.5 or less	\$2.35	0.15	0.1	0.25
More than 0.5 through 1.0	\$1.91	0.15	0.1	0.25
More than 1.0	\$2.35	0.18	0.12	0.3

Soft Capital Components

- ADM
- About \$225 per ADM (higher for small districts)
- $\text{Soft capital} = \text{ADM} \times 225$
- It can be used for short term capital expenditures to meet academic adequacy standards such as textbooks, instructional aid materials and computers

Unrestricted Capital

- ADM
- About \$225.76 per ADM (higher for small districts)
- Additional \$69.68 per ADM for high schools (to fund textbooks)
- This money can be used for any capital items

Basic State Aid

- Add Base Support Level, Transportation Support Level, Soft Capital and Unrestricted Capital and Growth if any to determine the Total Equalization Formula
- Minus any local property taxes using the Qualifying Levies and the County Equalization Assistance to determine the state aid portion of the Equalization Formula.

Charter Schools Formula

- Charters can't levy taxes
- The formula includes two components
- Base Support Level : calculated in a similar manner as school districts plus Additional Assistance.

Funds available to Districts but not to Charters

- Overrides
- Adjacent ways
- Desegregations
- School facility monies to construct schools
- Career Ladder program
- Teacher Compensation
- Average Teacher Experience is above state average level

FY2009 Per ADM Average Funding

Average	Local	State	Federal	Total
Statewide	\$3,816	\$4,404	\$1,069	\$9,289
Districts	\$4,162	\$4,149	\$1,113	\$9,424
Charters	\$521	\$6,830	\$648	\$7,999
Diff (dist. Vs. ch.)	\$3,641	(\$2,681)	\$465	\$1,425

Funding - Charters Vs. Districts

- Districts have 91% of the students statewide
- Districts with less than 600 ADM are 44.3% of the total districts and include only 2.2% of the statewide ADM
- Charters with less than 600 ADM are 91% of the total and includes 64.4% of the total Charter Schools ADM
- Since more than 64% of the charter students are in small schools, compared with only 2% in the districts, it is fair to say that charters are benefiting from the small school weight in funding than districts do.
- 90% of special education students are enrolled in school districts vs. only 10% in charters
- Total SPED, ELL and other Section B ADM funding for school districts \$839 million compared to \$20 million for charters which probably explains that districts have significantly more SPED students than charters.

District Vs. Charter - Funding

Scenario - Assumptions

- Students enrolled are 600 or more in both district and charter
- District have Career Ladder Program, Teacher Compensation, 200 days, and Teacher Experience Index
- Districts factored in Growth of about \$64 (average statewide funding per ADM in FY2009)
- District factored in Transportation of \$ 236 (average statewide transportation per ADM in FY2009)
- The following table shows the difference between both districts and charters using the above assumptions

Per student funding (student count more than 600)		
Total District	Total Charters	Diff
\$ 4,974.79	\$ 5,561.66	\$ 586.87
\$ 5,487.90	\$ 6,201.94	\$ 714.05

District Vs. Charter - Funding

Scenario – Assumptions

Students enrolled are less than 100 in both district and charters

District have Career Ladder Program, Teacher Compensation, 200 days, and Teacher Experience Index

Districts factored in Growth of about \$64 (average statewide funding per ADM in FY2009)

District factored in Transportation of \$ 236 (average statewide transportation per ADM in FY2009)

The following table shows the difference between both districts and charters using the above assumptions

Per student funding (student count less than 100)		
Total District	Total Charters	Diff
\$ 5,947.70	\$ 6,388.56	\$ 440.86
\$ 6,627.29	\$ 7,200.39	\$ 573.10

FY 2011 K-12 Funding

- 41% of state general funds are expended on K-12 Education (about \$3.5 billion)

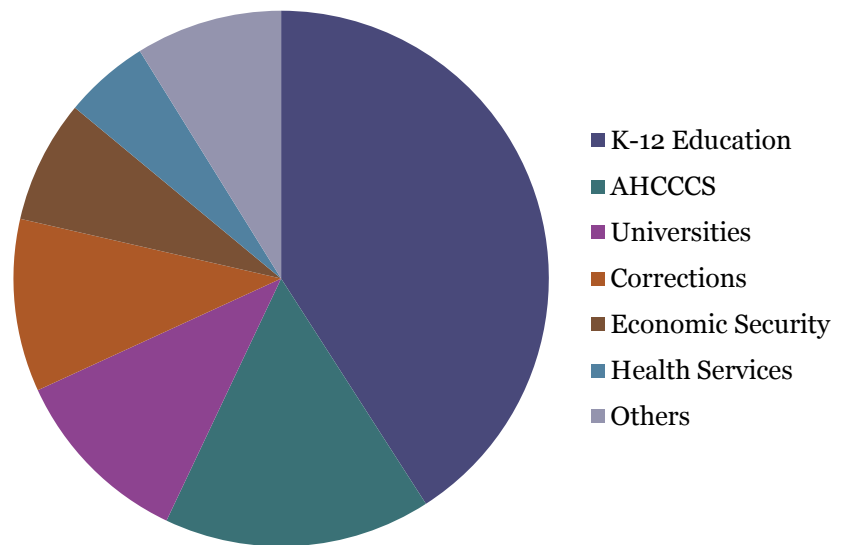
Additionally:

- About \$3 billion in local funds (includes Local taxes, donations and bonds).
- About \$1.1 billion in federal funds.
- About \$210 million in Federal Edu. Job Fund.
- About \$ 240 million in Classroom Site Fund.
- About \$38 million in Instructional Improvement Fund.
- About 11 million in state block grant for Vocational Education.

FY2011 K-12 Appropriations

Budget Item	Amount
K-12 Education	3491.2
AHCCCS	1376.9
Universities	948.7
Corrections	890.2
Economic Security	634.1
Health Services	438.9
Others	754.9
Total	8534.9

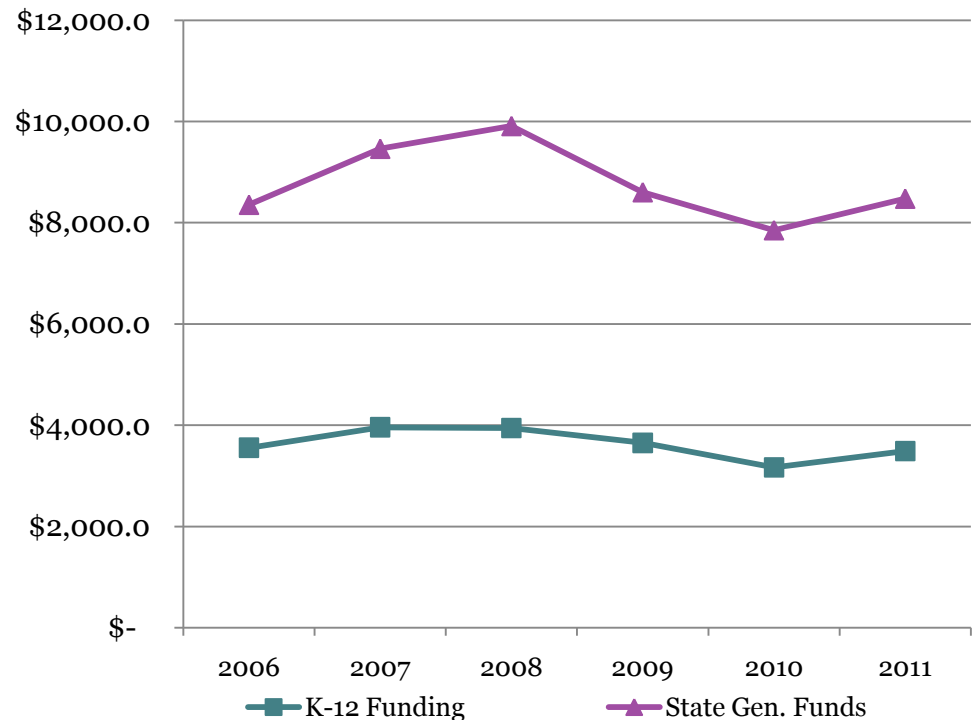
**General Funds
Appropriations Amount**



Source: JLBC Budget Background Report dated June 23, 2010

K-12 Funding Vs. State General Fund

Year	K-12 Funding	State Gen. Funds
2006	\$ 3,555.3	\$ 8,355.3
2007	\$ 3,959.9	\$ 9,460.7
2008	\$ 3,946.2	\$ 9,909.8
2009	\$ 3,650.9	\$ 8,603.0
2010	\$ 3,165.1	\$ 7,853.2
2011	\$ 3,491.2	\$ 8,475.9



Source: General Fund Annual Expenditures for Each Agency FY 1979-FY 2011 (6/22/10)

Classroom Site Fund and Instructional Improvement Fund

CSF

- Prop 301 - FY2002
- From state sales taxes
- Additional funds to formula funds
- 20% to be used for base salary
- 40% to be used for performance pay
- 40% to be used for others related to classroom expenditures such as classroom size reductions and teacher development.

IIF

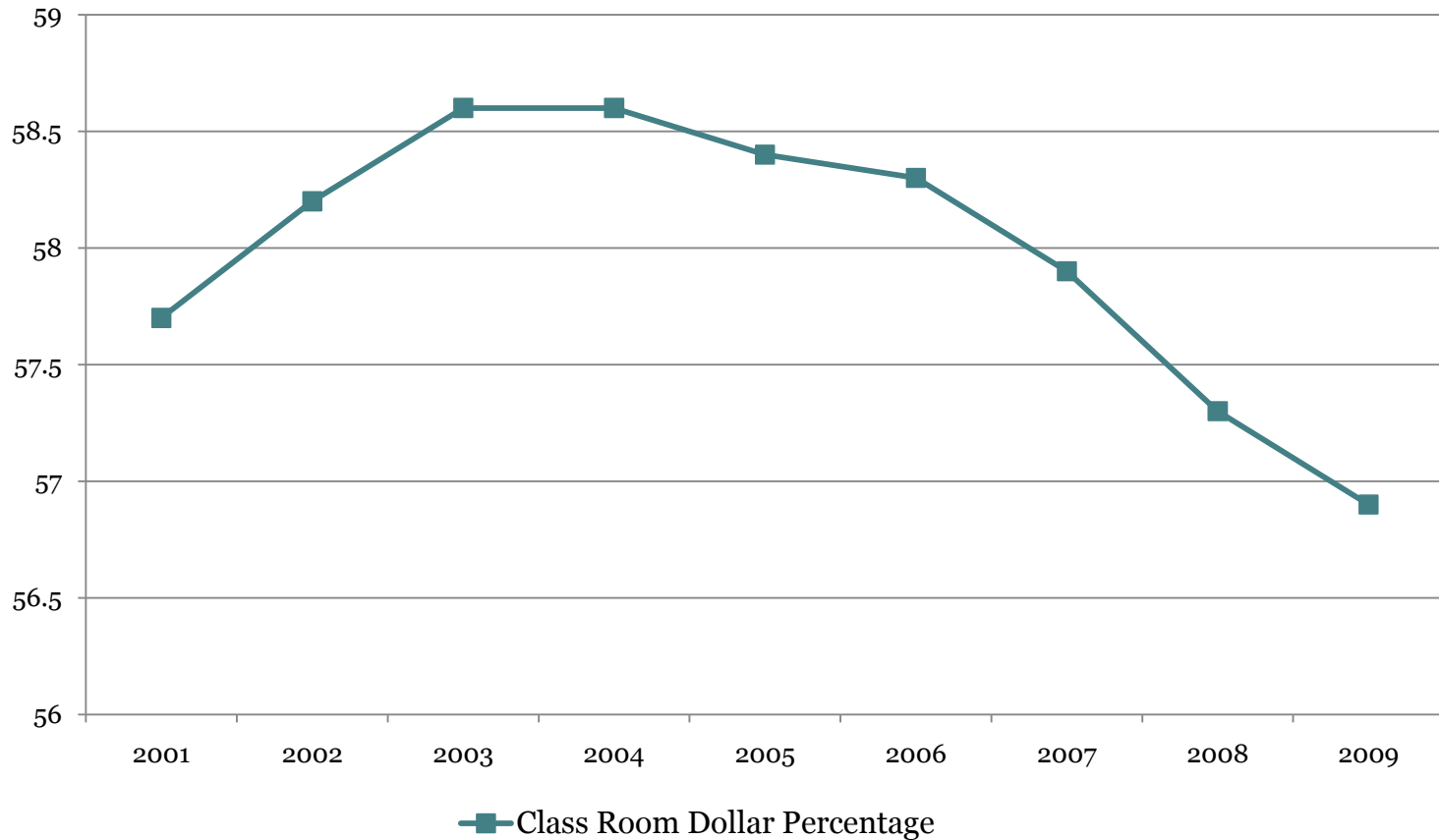
- Prop 202 - FY2002
- Contributions by the gaming tribes to the Instructional Improvement Funds
- 50% to be used for classroom size reduction and teacher compensation
- 50% to be used for Dropout Prevention and development minimum reading skills for students by the end of third grade level

Arizona Actual Classroom Dollar Percentages

Fiscal Years 2001 through 2009	Class Room Dollar Percentage
2001	57.7
2002	58.2
2003	58.6
2004	58.6
2005	58.4
2006	58.3
2007	57.9
2008	57.3
2009	56.9

Source: Source: Arizona Public School Districts' Dollars Spent in the Classroom Fiscal Year 2009. Feb. 2010 Report No. 10-01

Classroom Dollar Percentage

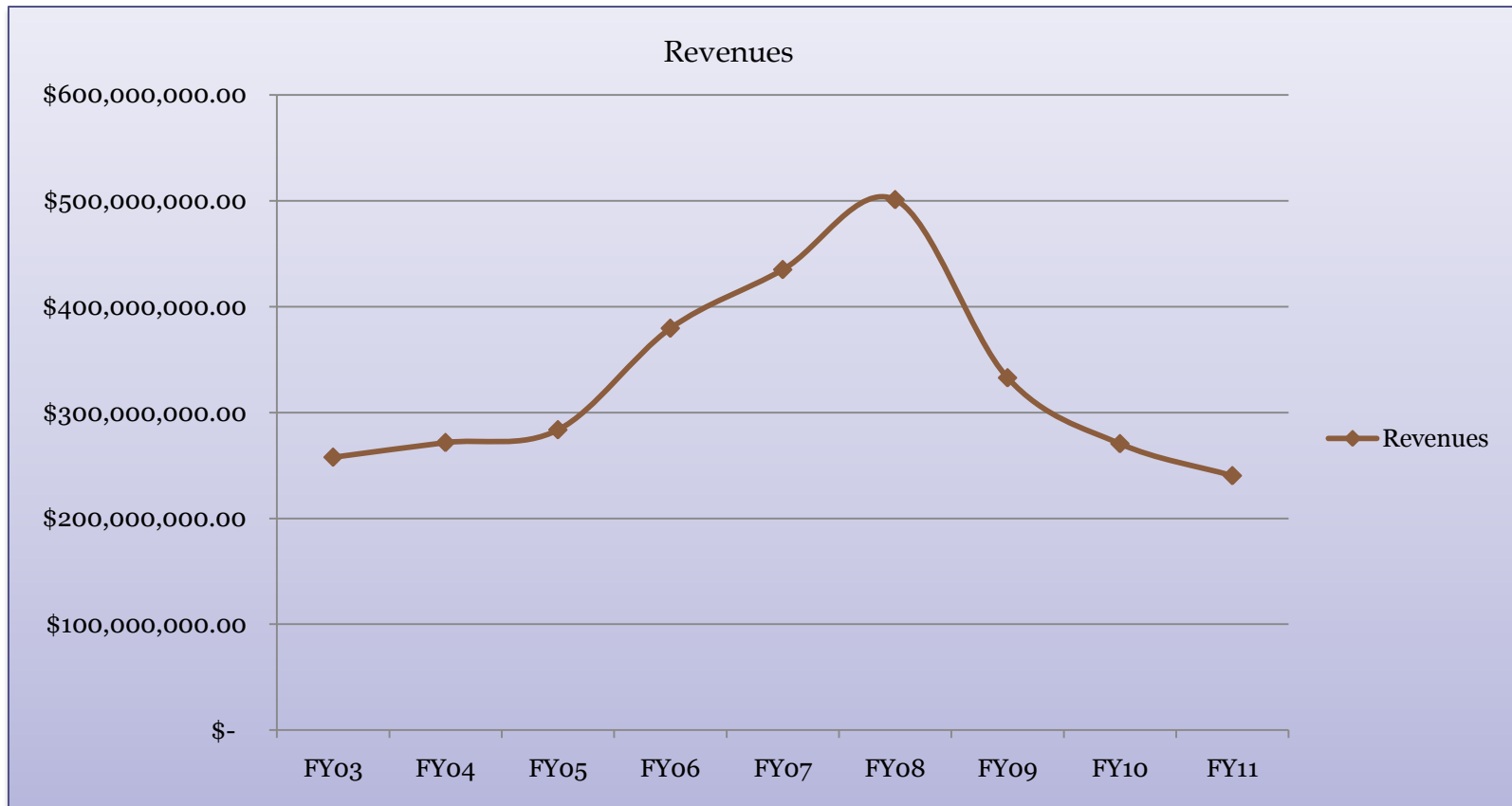


Source: Arizona Public School Districts' Dollars Spent in the Classroom Fiscal Year 2009. Feb. 2010 Report No. 10-01

Classroom Site Funding

Fiscal Year	Total Revenues	Total Statewide Weighted Attending ADM	Per Pupil Amount	JLBC Estimated Per Pupil Amount
2003	\$ 257,731,429.36	1,076,934.800	\$ 239.32	\$239.47
2004	\$ 271,568,790.01	1,113,178.150	\$ 243.96	\$230.00
2005	\$ 283,639,243.71	1,146,806.941	\$ 247.33	\$242.00
2006	\$ 379,510,145.42	1,184,370.278	\$ 320.43	\$353.00
2007	\$ 434,901,312.34	1,224,762.582	\$ 355.09	\$333.00
2008	\$ 500,922,414.85	1,260,138.716	\$ 397.51	\$401.00
2009	\$ 332,716,000.00	1,282,410.535	\$ 259.45	\$401.00
2010	\$ 270,492,000.00	1,289,772.367	\$ 209.72	\$244.00
2011	*\$ 240,264,705.62	1,293,482.921	*\$ 185.75	\$220.00

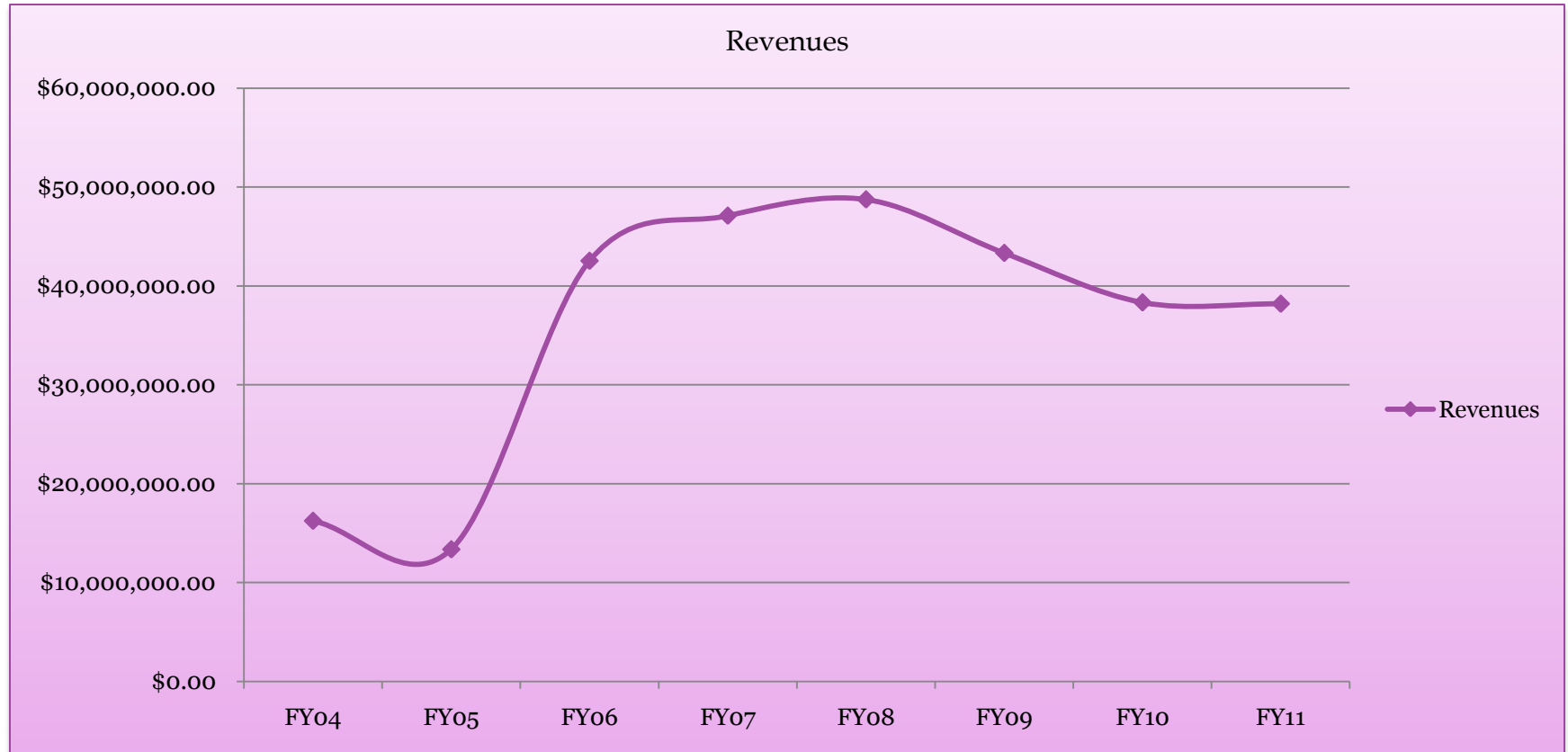
Classroom Site Funding



Instructional Improvement Fund

Fiscal Year	Total Revenues	Total Statewide Un-Weighted Attending ADM	Per Pupil Amount
2004	\$ 16,244,587.30	919,756.720	\$ 17.66
2005	\$ 13,361,108.26	945,799.362	\$ 14.13
2006	\$ 42,541,519.05	975,529.725	\$ 43.61
2007	\$ 47,107,717.92	1,009,429.921	\$ 46.67
2008	\$ 48,752,992.15	1,038,213.068	\$ 46.96
2009	\$ 43,339,135.90	1,056,194.972	\$ 41.03
2010	\$ 38,336,456.00	1,055,326.084	\$ 36.33
2011	*\$ 38,200,000.00	1,063,363.223	*\$ 35.92

Instructional Improvement Fund



Other Education Related Issues

- State Budget deficit is estimated to be \$825 million for FY2011 and \$1.4 Billion for FY2012
- This could mean more cuts to K-12 Education
- Move- On When Ready Concept
- Changes in ADM calculations as base for Funding
- Arizona Online Instruction
- According to Ed Week, AZ ranks 47th in the nation in per pupil funding.

The state is in need



The End

Questions ??????